



## Utah Governor's Office *of* Economic Development

Exporting Basics: Seminar 4  
April 21, 2010

- a) Preparing your Product for Export
- b) Exporting Services



**BUSINESS RESOURCE CENTERS ■ CAPITAL FORMATION ■ CENTERS OF EXCELLENCE ■ CORPORATE INCENTIVES UTAH ■ UTAH FILM COMMISSION ■ INTERNATIONAL DEVELOPMENT OFFICE ■ OFFICE OF CONSUMER HEALTH SERVICES ■ PROCUREMENT ASSISTANCE ■ OFFICE OF RURAL DEVELOPMENT ■ STATE SCIENCE ADVISOR ■ UTAH OFFICE OF TOURISM**



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# Preparing your Product for Exporting

## Know your Market

- Exporting your product requires product knowledge and the unique characteristics of each target market.
- Market research and local contacts are the base point from which to begin.
- Use foreign partners, buyers, customers, etc., to understand what products can be sold and in which region of your target country.
- Before you ship your product abroad, your company may need to make modifications in order to satisfy:
  1. Buyer tastes
  2. Needs in foreign markets
  3. Legal requirements for the foreign destination (GIVE EXAMPLE)





# Preparing your Product for Exporting

## Management Involvement

- Modifying products intended for foreign markets is a critical policy issues to be addressed by executive management.
  - Some exporters: no changes to the product. Good for US; good for everyone.
  - Other exporters: develop uniform products that are acceptable in all markets.
- Research: what is the right strategy to pursue?
  - E.g.: redesign an electrical component to run on a different level of voltage for a particular destination; redesign packaging to meet labeling standards or cultural preferences.
  - Advice: if your company manufactures multiple products, export the one that is best suited to the targeted market, i.e. fits the target market without major design or engineering modifications.





# Preparing your Product for Exporting

## Ideal Scenario for Exporting your Product

- Your company deals with international customers that have the same demographic characteristics or the same specifications for manufactured goods as your domestic market.
- Your company supplies parts for U.S. goods that are exported to other countries without modifications.
- Your company produces a unique product that is sold on the basis of its status or international appeal.
- Produces a product that has few or no distinguishing features and that is sold almost exclusively on a commodity or price basis.





# Preparing your Product for Exporting

## Questions to Consider

1. What foreign needs does your product satisfy?
2. What products should your company offer abroad?
3. Should your company modify its domestic market product for international sales?
4. Should it develop a new product for foreign markets?
5. What specific features, such as design, color, size, packaging, brand, labels, and warranty, should your product have?
6. How important are language or cultural differences?
7. What specific services are necessary abroad at the pre-sale and post-sale stages?
8. Are your firm's service and repair facilities adequate?
9. Are your distributor's service and repair facilities adequate?





# Preparing your Product for Exporting

## Product Adaptation

- As mentioned earlier, you may need to modify your product to conform to foreign government regulations, geographic and climactic conditions, buyer preferences or standards of living.
- Sensory impression (e.g. visual or taste) made by product may be critical factor.
- Modifications may be made to facilitate shipment or to compensate for possible differences in engineering and design standards.
- Market potential must be large enough to justify the direct and indirect costs in product adaptation.
- Assess costs to be incurred and, though it may be difficult, should determine the increased expected revenues expected from adaptation.
- For example, if the labeling has images that suit the American market, make sure that the images appeal to the Mexican market and serve the purpose of properly branding the product in a positive light.
- Caveat: Do not assume that because you can successfully sell your product in Mexico that it will be gangbusters in Brazil or Argentina.
- A good example of product adaptation is the Japanese market. Japanese consumers tend to prefer certain types of packaging, leading many U.S. firms to redesign cartons and packages for that market.



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# Preparing your Product for Exporting

## Foreign Regulations

- Foreign government product regulations are common in international trade and are expected to expand in the future.
- Regulations = high tariffs or non-tariffs barriers such as industrial regulations (such as clinical trials) or product specifications.
- Rationale for foreign regulations:
  - To protect domestic industries from foreign competition
  - To protect the health and safety of their citizens
  - To force importers to comply with environmental controls
  - To insure that importers meet local requirements for electrical or measurement systems
  - To restrict flow of goods originating in or having components from certain countries
  - To protect their citizens from cultural influences deemed inappropriate

*Detailed information on foreign regulations can be obtained from: David Fiscus, U.S. Commercial Service, Utah Export Assistance Center, 801-255-1871, ex. 3; [David.Fiscus@mail.doc.gov](mailto:David.Fiscus@mail.doc.gov) or see [www.export.gov](http://www.export.gov)*



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# Preparing your Product for Exporting

## Engineering and Redesign

- Fundamental aspects of products may need redesign and re-engineering.
- E.g. Electrical standards in many countries differ from U.S. electrical standards. In many instances, foreign phases, cycles and voltages (for both residential and commercial use) would damage or impair the operating efficiency of equipment designed for use in the U.S.
- Be aware that electrical standards sometimes vary even within the same country.
- Similarly, equipment must be engineered in the metric system for integration with other pieces of equipment or for compliance with the standards of a given country. The U.S. is the only industrialized nation that does not use the metric system in its commercial and standards activities. Must use conversions in instruction manuals.
- National Center for Standards and Certificates Information; National Institute of Standards and Technology, U.S. Department of Commerce;  
[www.nist.gov](http://www.nist.gov)



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# Preparing your Product for Exporting

## Branding, Labeling and Packaging

- Modern consumers are concerned with both the product and the product's secondary features, such as packaging, warranties and service.
- Branding and labeling products in foreign markets raise new considerations, such as the following:
  1. Are international brand names important to promote and distinguish a product (e.g. Honda vs. Acura)? Conversely, should local brands or private labels be used to heighten local interest? Consider local tastes and knowledge (Tiger Woods on a cereal box?)
  2. Are the colors used on labels and packages culturally sensitive and attractive to target buyers?
  3. Can labels be produced in official or customary languages required by law or practice?
  4. Does information on product content and origin have to be provided on the label?
  5. Are weights and measures stated in the local unit?
  6. Must each item be labeled individually? What is the language of the labeling? There may be special labeling requirements for foods, pharmaceuticals and other products.





# Preparing your Product for Exporting

- **Installation and warranties**

1. Ease of installation is a key element for success of products. Minimize time in the field of technicians and engineers.
2. Use your overseas representative or their company staff to pretest and install when possible.
3. Provide training manuals, installation instructions and parts lists in the local language.
4. Carefully consider the terms of the warranty on the product and be very specific as to the warranty's coverage.
5. Buyers will expect a specific level of performance and a guarantee that it will be achieved.
6. Levels of expectation and rights for a warranty vary by country, depending on the country's level of development, its competitive practices, the activism of consumer groups, the local standards of production quality, and many other factors.
7. Product service guarantees are important because overseas customers have service expectations that are higher or greater than those of the U.S.





# INDUSTRIAL SUPPLY





# INDUSTRIAL SUPPLY



Do we have the right sizes?



Local Representatives?



Spanish Instructions?



Training and Support?



# INDUSTRIAL SUPPLY

Does our product meet the local requirements?

- Maintenance Repair and Operations – MRO
  - Tools
  - Safety Supplies
  - Janitorial Supplies
  - Chemicals
  - Hazmat
  - Material Handling
  - Fasteners





# Topic #2: Exporting Services

- You do not have to be a manufacturer to export. More than 2/3 of U.S. SMEs that export are non-manufacturers.
- Service sectors with High Growth Potential
  - **Travel & tourism:** this industry is diverse and encompasses services in transportation lodging, food and beverage, recreation, and purchase of incidentals consumed while in transit.
  - **Environmental services:** this industry is defined as all goods /services that generate revenue associated with environmental protection, assessment, compliance with regs, pollution control, waste management, remediation of contaminated property, design and operation of environmental infrastructure, and provision and delivery of environmental resources.
  - **Transportation services:** this sector encompasses aviation, ocean shipping, inland waterways, railroads, trucking, pipelines, and intermodal services, as well as ancillary and support services in ports, airports, railyards and truck terminals. Transportation is the indispensable service for international trade in goods, moving all manufactured, miing and agricultural products to market as well as transporting people in business, travel, and tourism.
  - **Banking, financial, and insurance services:** U.S. financial institutions are very competitive internationally, e.g. account management, credit card operations, and collection management. U.S. insurers offers valuable services, ranging from underwriting and risk evaluation to insurance operations and management contracts in the international marketplace.





# Exporting Services

- **Telecom & Information Services:** this sector includes companies that generate, process, and export electronic commerce activities, such as email, funds transfers and data exchange, as well as data processing, network services, electronic information services, and professional computer services. The U.S. leads the world in marketing new technologies and enjoys a competitive advantage in computer operations, data processing and transmission, online services, computer consulting, and systems integration.
- **Education and training services:** management training, technical training and English-language training are areas in which U.S. expertise remains unchallenged. The export market for such training is almost limitless, encompassing most industry sectors for products and services.
- **Commercial, professional, and technical services:** this sector encompasses accounting, advertising, and legal and management consulting services. The international market for those services is expanding at a faster rate than the domestic market. The U.S. is considered a leader in these sectors for advice and assistance.
- **Entertainment:** U.S.-filmed entertainment and U.S.-recorded music have been very successful in appealing to audiences worldwide. U.S. film companies license and sell rights to exhibit films in movie theatres, on videocassettes, and on DVDs and CDs.
- **Architectural, construction and engineering services:** the vast experience and technological leadership of the U.S. construction industry, as well as special skills in operations, maintenance and management, frequently give U.S. firms a competitive edge in international projects. U.S. firms with expertise in specialized fields, such as electric-power utilities, construction and engineering services, are similarly competitive.



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# Exporting Services

- Aspects of Service Exports

- Services can be crucial in stimulating goods exports and are critical in maintaining those transactions (see Seminar # 2)
- Many U.S. merchandise exports would not take place if they were not supported by service activities such as banking, insurance and transportation.
- Services are more difficult to communicate than product offerings because they are intangibles.
- Services must be tailored to the specific needs of the client.
- Direct participation and participation by client necessitates interpersonal skills and cultural sensitivity.

- Unique Challenges of Exporting Services

- **More travel.** Without a tangible product, special efforts are required to elevate the profile of your company and the credibility of its services.
- **Awareness of labor requirements.** Service providers spend extended periods of time in-country, or you may need to hire local workers. Be aware of legal obligations, such as securing work permits.
- **More intensive market research.** Market research methodologies and business opportunity indicators are unique for service firms, often requiring more in-depth and detailed activities, information, and intelligence than are routine for exporting goods.





# Exporting Services

- **Practical Advice**

- Seek affiliation with a foreign firm.
- An agent, representative or joint venture relationship would provide in-country presence with lower costs.
- Leverage local knowledge: marketing to local culture, market research, exposure, contacts, regulations, restrictions, primary participants, potential clients and competitors.





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# Future Seminar Topics

## **Seminar #5: May 19**

- International Legal Considerations
- E-tools for SMEs

## **Seminar #6: June 23**

- Shipping your product
- Pricing, Quotations and Terms



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